



National **Retail** Federation
The Voice of Retail Worldwide

June 13, 2005

The Honorable William Thomas
Chairman
House Ways and Means Committee
U.S. House of Representatives
2208 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Thomas:

As the House Ways and Means Committee prepares its "mock" markup of legislation to implement the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), the National Retail Federation (NRF) and the U.S. retail industry urge you to support this important trade agreement. We also strongly urge you to oppose any amendments that would be inconsistent with the agreement, would nullify or undermine its commercial benefits, or are not "necessary or appropriate" to its implementation.

For retailers, the DR-CAFTA will provide three benefits. First, the agreement will reduce the cost of goods for retail customers – the American consumer – thereby enhancing their purchasing power and standard of living.

Second, the DR-CAFTA will create opportunities for American retailers to open stores and retail operations in the Dominican Republic and Central America, which currently have an underdeveloped formal retail sector. This process is important for the overall development of the region because it will create needed jobs and job skills, help stimulate the growth of a consumer market as incomes in the region rise, provide a consumer outlet for American exporters, and stimulate consumer-driven economic growth.

Third, and perhaps most important, DR-CAFTA is critical for the continued evolution of the strong partnership that currently exists between textile and apparel industries in the United States and in Central America and the Dominican Republic.

The United States and the six DR-CAFTA countries have developed an increasingly integrated supply chain and co-production relationship in the manufacture of textiles and clothing over the past 20 years. As a result, the region has emerged as both one of the largest export markets for U.S. cotton growers, yarn spinners, and fabric mills, and also one of the most important sourcing locations for U.S. apparel manufacturers and retailers.

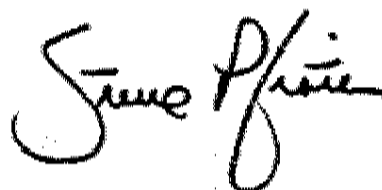
The Central American countries and the Dominican Republic offer several attractive advantages to apparel retailers, most notably proximity to the U.S. market and an established apparel sewing base. However, new competitive pressures resulting from elimination of worldwide textile and apparel quotas on January 1, 2005, and major changes in the way clothing is manufactured have diminished these advantages while enhancing the competitiveness of integrated, highly-competitive Asian manufacturers.

The DR-CAFTA will help U.S. and regional textile and apparel manufacturers to adjust to the new competitive environment of the post-quota world. Without DR-CAFTA, these competitive pressures and changes in the industry will inevitably force a shift of investment, production, and sourcing to Asia. The result would be the elimination of tens of thousands of jobs in the U.S. textile industry and the apparel industry in the DR-CAFTA countries. In deciding the merits of DR-CAFTA, this prognosis alone should be the compelling consideration for those concerned about competitive threats to the U.S. textile industry.

While some may believe DR-CAFTA is not perfect, its benefits to U.S. exporters, importers, consumers and the economy as a whole vastly outweigh whatever deficits it may have. Under the trade promotion authority procedures laid out in the Trade Act of 2002, Congress defined for itself an important role in the negotiation and approval of trade agreements such as DR-CAFTA. Therefore, Members should ensure that Congress remains within the bounds of that role by opposing amendments that would undermine or nullify the provisions in the agreement as negotiated.

The **National Retail Federation** is the world's largest retail trade association, with membership that comprises all retail formats and channels of distribution including department, specialty, discount, catalog, Internet and independent stores as well as the industry's key trading partners of retail goods and services. NRF represents an industry with more than 1.5 million U.S. retail establishments, more than 23 million employees - about one in five American workers - and 2004 sales of \$4.1 trillion. As the industry umbrella group, NRF also represents more than 100 state, national and international retail associations.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Pfister". The signature is fluid and cursive, with the first name "Steve" written in a larger, more prominent script than the last name "Pfister".

Steve Pfister
Senior Vice President
Government Relations